

**AB 1115 Article 3
Example 5 --2003**

2003 - Resident

Assume Mike became a California resident beginning January 1, 2003. Mike's capital loss carryforward needs to be restated as if he had been a resident for all prior years. Assuming that Mike had no other capital gains or losses prior to 2002, Mike would have no capital loss carryforward into 2003 because he had a net capital loss of \$1,000 for 2002, computed as if he was a resident for that year, which is within the \$3,000 limitation.

During 2003, Mike has a \$5,000 capital gain from the sale of property located in another state and a \$4,000 capital loss from property located in California. As a resident of California, Mike will net his gain and loss for a net \$1,000 capital gain. If Mike had been a nonresident, he would have had a \$4,000 capital loss sourced to California. He would have taken \$3,000 of that amount and would have carried forward \$1,000.

Example 5 2003	CA Taxable Income
Capital Gain	\$5,000
Capital Loss	<u>(4,000)</u>
Total	<u>\$1,000</u>
As a resident, the source of the items does not matter because all income is taxed. If Mike had been a nonresident, only the \$4,000 capital loss would have been sourced to California.	